

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

FIELDWOOD ENERGY LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 20-33948 (MI)

(Jointly Administered)

**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF ECOPETROL
AMERICA LLC TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND
FINAL ORDERS (I) AUTHORIZING DEBTORS (A) TO OBTAIN POSTPETITION
FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363(b), 364(c)(1), 364(c)(2),
364(c)(3), 364(d)(1) AND 364(e) AND (B) TO UTILIZE CASH COLLATERAL
PURSUANT TO 11 U.S.C. § 363, (II) GRANTING ADEQUATE PROTECTION TO
PREPETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363, 364
AND 507(b) AND (III) SCHEDULING FINAL HEARING PURSUANT TO
BANKRUPTCY RULES 4001(b) AND (c)**

Ecopetrol America LLC (“Ecopetrol”) by and through its undersigned counsel, hereby files this limited objection and reservation of rights (the “Reservation”) to entry of a final order approving the above-captioned debtors’ (the “Debtors”) *Motion of Debtors for Interim and Final Orders (I) Authorizing Debtors (A) to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 363(b), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363, 364 And 507(b) and (III) Scheduling*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Dynamic Offshore Resources NS, LLC (0158); Fieldwood Energy LLC (6778); Fieldwood Energy Inc. (4991); Fieldwood Energy Offshore LLC (4494); Fieldwood Onshore LLC (3489); Fieldwood SD Offshore LLC (8786); Fieldwood Offshore LLC (2930); FW GOM Pipeline, Inc. (8440); GOM Shelf LLC (8107); Bandon Oil and Gas GP, LLC (9172); Bandon Oil and Gas, LP (9266); Fieldwood Energy SP LLC (1971); Galveston Bay Pipeline LLC (5703); and Galveston Bay Processing LLC (0422). The Debtors’ primary mailing address is 2000 W. Sam Houston Parkway S., Suite 1200, Houston, TX 77042.

Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) [Docket No. 22] (the “Dip Motion”).² In support of this Reservation, Ecopetrol respectfully represents as follows:

1. BACKGROUND

A. General Background

1. On August 3 and August 4, 2020, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

2. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases.

B. The Gunflint Operating Agreement

3. Ecopetrol is party to that certain Unit Operating Agreement dated January 1, 2013 (as amended and modified, the “Gunflint Agreement”), which provides for the development and production of crude oil, natural gas, and associated substances from the “Contract Area” of the Mississippi Canyon Block OCS. The parties to the Gunflint Agreement are: (1) Debtor Fieldwood Energy LLC (“Fieldwood”), which has a 58.9363% working interest in the Contract Area; (2) Ecopetrol, which has a 31.50% working interest; and (3) Talos Energy Offshore LLC (“Talos”), which has a 9.5637% working interest. Fieldwood is the Operator under the Gunflint Agreement. Additionally, Ecopetrol and Fieldwood are co-lessors of various leases with the United States within the Contract Area (the “Leaseholds”).

4. Pursuant to section 6.1 of the Gunflint Agreement, Fieldwood has the right to require Ecopetrol and any other participating party to advance their respective estimated operating expenditures, which funds “may be commingled with the [Fieldwood’s] own funds.” Gunflint

² Capitalized terms used but not defined in this limited objection have the meanings given in the DIP Motion.

Agreement § 6.1. Ecopetrol understands that Fieldwood maintains a joint account for the benefit of the Gunflint Agreement participants where such funds are deposited and applied to vendor costs and other authorized expenses (the “Joint Account”). As of August 5, 2020, the Joint Account had a prepaid balance of \$7,377,364 accrued from prior payments from Ecopetrol to Fieldwood. Moreover, pursuant to section 6.3.2 of the Gunflint Agreement, Fieldwood, as Operator, granted Ecopetrol a security interest in Fieldwood’s working interest in the leases within the Contract Area to secure Fieldwood’s proportionate share of expenses owed under the Gunflint Agreement.

5. Pursuant to Section 15.1 of the Gunflint Agreement, Ecopetrol has the right and duty to take in kind or separately dispose of its share of the hydrocarbons produced and saved from the Contract Area, exclusive of that used by Fieldwood in production of development operations, in preparing and treating for marketing purposes, and production that is unavoidably lost (the “Hydrocarbons Interest”).

C. The DIP Motion

6. On August 4, 2020, the Debtors filed the DIP Motion, seeking authority to obtain postpetition secured financing in the principal amount of \$100,000,000 (the “DIP Facility”).

7. The DIP Facility purports to grant the DIP Lenders (as defined in the DIP Motion) a lien on “substantially all assets of the Debtors” including, substantially all assets of Fieldwood (the “DIP Collateral”).

8. On August 5, 2020, the Court entered an order authorizing the DIP Facility on an interim basis [Docket No. 58] (the “Interim Order”).

9. A final hearing on the DIP Motion is scheduled for August 24, 2020, at 1:30 pm.

LIMITED OBJECTION AND RESERVATION OF RIGHTS

10. As a preliminary matter, Ecopetrol generally supports the Debtors' efforts to conduct a value maximizing sale, including by entering into the DIP Facility to finance its bankruptcy process. However, Ecopetrol objects to any financing that would impair or otherwise affect Ecopetrol's rights in the Joint Account, the Hydrocarbon Interests, the Leaseholds, or any other rights under the Gunflint Agreement, without adequate protection and consent.

11. The DIP Motion fails to specify with sufficient detail whether the DIP Collateral encompasses joint assets such as the Joint Account, the Hydrocarbons, or the Leaseholds. Ecopetrol and the Debtors are engaged in discussions over the scope of the DIP Collateral and the terms of the proposed order authorizing the DIP Facility on a final basis (the "Proposed Final Order"). While Ecopetrol is hopeful that a resolution will be reached, no resolution has been agreed to by the parties as of the filing of this Reservation. Ecopetrol's belief and expectation is that these discussions will continue in good faith and ultimately result in consensus among the parties. However, given the ambiguity in the Proposed Final Order and the fact that objections to the DIP Motion are due today, Ecopetrol believes it appropriate to file this Reservation.

12. Ecopetrol hereby reserves the right to amend, modify, or supplement this Reservation either through further written submission or orally at any hearing before the Court. Ecopetrol further reserves all of its rights to further respond or object to any amendments or modifications to the Proposed Final Order submitted by the Debtors or any other party in any of these cases.

CONCLUSION

WHEREFORE, Ecopetrol respectfully requests that the Court sustain this limited objection and deny the Proposed Final Order absent modifications proposed herein.

Dated: August 20, 2020

SQUIRE PATTON BOGGS (US) LLP

/s/ Travis A. McRoberts

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CERTIFICATE OF SERVICE

I hereby certify that on August 20, 2020, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system, which will serve notice on all parties registered to receive notice in these cases.

/s/ Travis A. McRoberts
Travis A. McRoberts